



GOLDIGIT ATOM-TECH HOLDINGS LIMITED

金澤超分子科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT 2003

FINANCIAL RESULTS

The board of directors (the “Board”) of Goldigit Atom-tech Holdings Limited (the “Company”) presents the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30th September, 2003 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	3 months ended 30th September,		9 months ended 30th September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (<i>note 2</i>)	36,684	23,905	87,167	85,673
Cost of sales	<u>(15,400)</u>	<u>(7,596)</u>	<u>(36,927)</u>	<u>(27,420)</u>
Gross profit	21,284	16,309	50,240	58,253
Other operating income	206	382	1,714	1,612
Selling expenses	(2,389)	(5,263)	(8,351)	(7,079)
Administrative expenses	(4,562)	(2,826)	(11,577)	(7,186)
Research and development costs	<u>–</u>	<u>(3,760)</u>	<u>–</u>	<u>(4,822)</u>
Profit before taxation	14,539	4,842	32,026	40,778
Taxation (<i>note 3</i>)	<u>(2,733)</u>	<u>–</u>	<u>(5,791)</u>	<u>–</u>
Net profit attributable to shareholders	<u>11,806</u>	<u>4,842</u>	<u>26,235</u>	<u>40,778</u>
Dividends (<i>note 4</i>)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share (HK cents)				
– Basic (<i>note 5</i>)	<u>0.69</u>	<u>0.28</u>	<u>1.54</u>	<u>2.40</u>

Notes:

1. Basis of preparation and accounting policies

The Group’s unaudited consolidated financial statements for the nine months ended 30th September, 2003 have been prepared in accordance with accounting principles generally accepted in Hong Kong under the historical cost convention. The accounting policies used in preparing the consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2002, except for the changes due to adoption of the new and revised SSAPs which have become effective since 1st January, 2003. The adoption of these new and revised SSAPs has no material impact on the Group’s results and net assets.

2. Turnover

Turnover represents the net amounts received and receivable for sales of pesticides in the People's Republic of China (the "PRC").

3. Taxation

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Taxation represents the provision for PRC income tax by the PRC subsidiaries at their respective applicable tax rates. The taxation provided by Fujian Goldigit Fine Chemical Industry Co., Ltd. ("Fujian Goldigit") is calculated at the tax rate of 15%, and for other PRC subsidiaries, the provision is calculated at 33%.

4. Dividends

The Board has resolved not to declare an interim dividend for the nine months ended 30th September, 2003 (2002: nil). In May 2002, a final dividend of HK1.2 cents per share was paid to shareholders for 2001.

5. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	3 months ended		9 months ended	
	30th September,	30th September,	30th September,	30th September,
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit attributable to shareholders	<u>11,806</u>	<u>4,842</u>	<u>26,235</u>	<u>40,778</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares	<u>1,699,860</u>	<u>1,699,860</u>	<u>1,699,860</u>	<u>1,699,860</u>

No diluted earnings per share has been presented as no diluting events existed during these periods.

6. Statement of changes in equity

	Share capital	Share premium	Exchange reserve	Goodwill reserve	Special reserve	Statutory reserve fund	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002	84,993	72,657	(36)	(193)	73	7,321	47,740	212,555
Net profit for the period	-	-	-	-	-	-	40,778	40,778
2001 final dividend paid	-	-	-	-	-	-	(20,398)	(20,398)
	<u>84,993</u>	<u>72,657</u>	<u>(36)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>68,120</u>	<u>232,935</u>
At 30th September, 2002	84,993	72,657	(36)	(193)	73	7,321	68,120	232,935
	<u>84,993</u>	<u>72,657</u>	<u>(36)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>64,753</u>	<u>229,568</u>
At 1st January, 2003	84,993	72,657	(36)	(193)	73	7,321	64,753	229,568
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement	-	-	(38)	-	-	-	-	(38)
Net profit for the period	-	-	-	-	-	-	26,235	26,235
	<u>84,993</u>	<u>72,657</u>	<u>(74)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>90,988</u>	<u>255,765</u>
At 30th September, 2003	84,993	72,657	(74)	(193)	73	7,321	90,988	255,765

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operations

The Group reported net profit of HK\$26.2 million (2002: HK\$40.8 million) or HK1.54 cents per share (2002: HK2.40 cents per share), a decrease of HK\$14.6 million. Principal factors affecting these changes, which were discussed further in the following, were 1) decreased contribution from decreased average selling price; 2) higher administrative expenses; 3) higher income tax expenses; partially offset by 4) lower research and development expenses.

Turnover was HK\$87.2 million (2002: HK\$85.7 million), an increase of HK\$1.5 million or 1.7% primarily due to the increase in sales volume by 13% resulted from the decrease of average selling prices commencing February 2003 to bring it more in line with price of competing products.

The gross profit margin decreased to 57.6% from 68.0% in 2002. The decrease represented the impact on the decreased selling price in 2003. The gross profit margin remained relatively unchanged as compared to 57.4% for the six months ended 30th June, 2003.

Operating expenses increased by HK\$0.9 million to HK\$20.0 million (2002: HK\$19.1 million). Operating expenses as a percentage of turnover was 22.9% (2002: 22.3%). The differences in operating expenses were as follows:

- Selling expenses increased by HK\$1.3 million or 18.0% to HK\$8.4 million (2002: HK\$7.1 million). Expenses related to the sales support centers and farmers' training program accounted for the increase;
- Administrative expenses increased by HK\$4.4 million or 61.1% to HK\$11.6 million (2002: HK\$7.2 million). The increase was primarily due to the Company recorded a listing cost of HK\$4.5 million in 2003 for professional fees incurred for the listing of the shares of Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and
- No research and development expenses was incurred (2002: HK\$4.8 million) since most of the Group's core developing projects had entered the final stage of the development. However, research and development expenses may increase in future depending prioritization of research and development efforts and the number of studies for potential products.

The Group recorded PRC income tax expenses of HK\$5.8 million (2002: nil), because Fujian Goldigit was exempted from PRC income tax for 2 years in 2001 and 2002.

Business review

The Group is a provider of quality chemical pesticides. Jin Ze Ling No.1 and Dao Ying Wen Jing continued to contribute to the Group's overall turnover for the nine months ended 30th September, 2003.

The Group continued to conduct research and development works for the development of new products applying the Propulsive Agent technology ("PAT"). The core developing new pesticides projects included 3% fipronil to kill rice water weevils, and target propellant new pesticide on rice borer to kill rice borers. Both products were undergoing the 2-year 4-region trial. With a view to diversify into the insecticide sector, the Group is developing a new insecticide product to terminate mosquito in urban drains. The Directors expect that future revenue will be derived from the new products from research and development.

The Directors consider that due to the differences in climatic conditions and vegetation covers in different areas in the PRC, particular attention needs to be paid to the adoption of promotion and demonstration methods in the rural areas. During the period, a series of television advertisement programs for the Group's products were launched. The Directors anticipate to place more resources on increasing brand awareness of the Group's products. The Group also set up two sales service centers in Hunan and Jiangxi and continued performing demonstration and training to farmers in various counties in the agricultural regions in the PRC to enhance the distribution network of the Group.

The land use right certificate of the Group's manufacturing base at Ma Wei District, Fuzhou, Fujian province, the PRC was issued to the Group on 30th September, 2003. The Directors expect that the manufacturing base will commence operation in 2004.

Liquidity and financial resources

At 30th September, 2003, the Group had working capital of HK\$174.9 million and its current ratio was 21.0 to 1. At 30th September, 2003, the Group had cash and bank balances of HK\$176.1 million and no bank facilities in place and no bank borrowings outstanding. The Directors consider that the Group's financial position will satisfy the Group's working capital needs and capital expenditures for the next year.

Prospects

The Directors consider that future pesticides will have safe prescriptions with high activity and selectivity so as to satisfy the increasing strict requirements of environmental protection. New pesticides with high effectiveness, low toxicity, low residue and low dosage will be the development direction of chemical pesticides in the future.

The Directors believe that the competitive aspect of the Group's products is to reduce application costs for users. The Directors consider that they have lower combined costs and, therefore, the Group will emphasize on the concept of "lower combined costs" to guide the end users to the new selection standard of pesticides in marketing the Group's products. The Group will continue its marketing strategy to expand its sales coverage and increase its brand awareness in the market.

On 27th October, 2003, the Company's shares were delisted from the GEM and listed on the Main Board of the Stock Exchange by way of introduction. The Directors anticipated that listing of the shares on the Main Board will further enhance the public profile of the Company and recognition from larger institutional investors and also raise the image and the recognition of the Group's products. The Group will continue to pursue and focus on its current core business of being a specialty provider of good quality pesticides that develops and markets its own proprietary products for agricultural and commercial uses.

DIRECTORS' INTERESTS IN THE SHARES

Other than as disclosed below, as at 30th September, 2003, none of the Directors, has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred

to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

Name of Director	Company/name of associated corporation	Capacity and types of interest	Number and class of securities	Approximate % of shareholding in the same class of securities
Lao Seng Peng ("Mr. Lao")	the Company	Interest of controlled corporations	1,169,479,600 shares (L) <i>(notes 1 and 2)</i>	68.80%
Mr. Lao	Best Today Investments Limited	Beneficial owner	1 share of US\$1.00 each (L) <i>(note 1)</i>	100.00%

Notes:

1. The letter "L" denotes a long position in shares or other securities of the Company.
2. These shares were held by Best Today Investments Limited ("Best Today"), a company incorporated in the British Virgin Islands ("BVI"), and wholly owned by Mr. Lao. Mr. Lao was deemed to have interests in the shares of the Company by virtue of being the legal and beneficial owner of the entire issued share capital of Best Today.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period under review was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed below, as at 30th September, 2003, the Directors are not aware of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name	Capacity and type of interest	Number and class of securities	Approximate % of shareholding in the same class of securities
Best Today	Beneficial owner <i>(note 2)</i>	1,169,479,600 shares (L) <i>(note 1)</i>	68.80%

Notes:

1. The letter “L” denotes a long position in shares or other securities of the Company.
2. These shares were held by Best Today, a company incorporated in the BVI and wholly owned by Mr. Lao.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 15th October, 2003, the share option scheme adopted by the Company on 22nd June, 2001 was terminated and a new share option scheme was adopted.

There was no option granted by the Company under the share option schemes during the period or outstanding as at 30th September, 2003.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange at any time during the nine months ended 30th September, 2003.

AUDIT COMMITTEE

The audit committee meets regularly with the management to review the accounting principles and practices adopted by the Group and discuss auditing, internal control and financial reporting matters including the review of unaudited consolidated financial statements for the nine months ended 30th September, 2003.

By order of the Board
Goldigit Atom-tech Holdings Limited
Wong Kin Ping
Executive Director

14th November, 2003